

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

|  |  |              |  |  |  |        |  |
|--|--|--------------|--|--|--|--------|--|
| Local Government Type<br><input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other |  |              |  | Local Government Name                      |  | County |  |
| Audit Date   |  | Opinion Date |  | Date Accountant Report Submitted to State: |  |        |  |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

|   | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations.                                   |          |                 |              |
| Reports on individual federal financial assistance programs (program audits). |          |                 |              |
| Single Audit Reports (ASLGU).   |          |                 |              |

|  |  |      |       |          |
|--|--|------|-------|----------|
| Certified Public Accountant (Firm Name)                |  |      |       |          |
| Street Address   |  | City | State | ZIP Code |
| Accountant Signature<br><i>Siegfried Crandall P.C.</i> |  |      | Date  |          |

*Township of Spencer*  
*Kent County, Michigan*  
**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**  
*Year ended March 31, 2006*

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## INDEPENDENT AUDITORS' REPORT

**Board of Trustees  
Township of Spencer, Michigan**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Spencer, Michigan, as of March 31, 2006, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Spencer, Michigan, as of March 31, 2006, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information, on pages 16 through 18, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Township of Spencer, Michigan, has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

*Siegfried Crandall P.C.*

April 27, 2006

## **BASIC FINANCIAL STATEMENTS**

**Township of Spencer**  
**STATEMENT OF NET ASSETS**  
March 31, 2006

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|   | <u><b>Governmental<br/>activities</b></u> |
|---|---|
| <b>ASSETS</b>                                   |   |
| Current assets:                                 |   |
| Cash  | \$ 729,562                                |
| Receivables                                     | <u>68,256</u>                             |
| Total current assets                            | 797,818                                   |
| Noncurrent assets:                              |   |
| Capital assets, net of accumulated depreciation | <u>927,562</u>                            |
| Total assets                                    | <u>1,725,380</u>                          |
| <b>LIABILITIES</b>                              |   |
| Current liabilities:                            |   |
| Accounts payable                                | 11,533                                    |
| Customer deposits                               | 6,767                                     |
| Note payable                                    | <u>20,252</u>                             |
| Total current liabilities                       | 38,552                                    |
| Noncurrent liabilities:                         |   |
| Note payable                                    | <u>77,261</u>                             |
| Total liabilities                               | <u>115,813</u>                            |
| <b>NET ASSETS</b>                               |   |
| Invested in capital assets, net of related debt | 830,049                                   |
| Restricted for:                                 |   |
| Public safety                                   | 166,400                                   |
| Public works                                    | 67,549                                    |
| Unrestricted                                    | <u>545,569</u>                            |
| Total net assets                                | <u>\$ 1,609,567</u>                       |

See notes to financial statements

**Township of Spencer**  
**STATEMENT OF ACTIVITIES**  
Year ended March 31, 2006

|                                       | <u>Program revenues</u> |                                 |   |   | <i>Net (expenses)<br/>revenues and<br/>changes in<br/>net assets</i> |
|---------------------------------------|-------------------------|---------------------------------|---|---|--|
|                                       | <u>Expenses</u>         | <u>Charges for<br/>services</u> | <u>Operating<br/>grants and<br/>contributions</u> | <u>Capital<br/>grants and<br/>contributions</u> | <u>Governmental<br/>activities</u>                                   |
| <b>Functions/Programs</b>             |                         |                                 |   |   |  |
| Governmental activities:              |                         |                                 |   |   |  |
| Legislative                           | \$ 10,000               | \$ -                            | \$ -  | \$ -  | \$ (10,000)  |
| General government                    | 264,979                 | 13,720                          | -   | -   | (251,259)  |
| Public safety                         | 184,878                 | 68,171                          | -   | -   | (116,707)  |
| Public works                          | 50,311                  | 22,830                          | 6,174   | -   | (21,307)   |
| Community and economic<br>development | 9,007                   | -                               | -   | -   | (9,007)  |
| Interest on long-term debt            | <u>3,004</u>            | <u>-</u>                        | <u>-</u>  | <u>-</u>  | <u>(3,004)</u>   |
| Total governmental<br>activities      | <u>\$522,179</u>        | <u>\$ 104,721</u>               | <u>\$ 6,174</u>                                   | <u>\$ -</u>                                     | <u>(411,284)</u>   |
| General revenues:                     |                         |                                 |   |   |  |
| Property taxes                        |                         |                                 |   |   | 286,086  |
| State shared revenue                  |                         |                                 |   |   | 253,525  |
| Franchise fees                        |                         |                                 |   |   | 6,807  |
| Interest income                       |                         |                                 |   |   | 19,395   |
| Other                                 |                         |                                 |   |   | <u>3,849</u>   |
| Total general revenues                |                         |                                 |   |   | <u>569,662</u>   |
| Change in net assets                  |                         |                                 |   |   | 158,378  |
| Net assets - beginning                |                         |                                 |   |   | <u>1,451,189</u>   |
| Net assets - ending                   |                         |                                 |   |   | <u>\$ 1,609,567</u>  |

See notes to financial statements

**Township of Spencer**  
**BALANCE SHEET - governmental funds**

March 31, 2006

|   | <u>General</u>    | <u>Fire</u>       | <u>Total<br/>governmental<br/>funds</u> |
|---|-------------------|-------------------|---|
| <b>ASSETS</b>   |                   |                   |   |
| Cash  | \$ 572,318        | \$ 157,244        | \$ 729,562                              |
| Receivables   | 54,428            | 13,828            | 68,256                                  |
| Due from other funds  | <u>1,381</u>      | <u>-</u>          | <u>1,381</u>                            |
| Total assets  | <u>\$ 628,127</u> | <u>\$ 171,072</u> | <u>\$ 799,199</u>                       |
| <b>LIABILITIES AND FUND BALANCES</b>  |                   |                   |   |
| Liabilities:  |                   |                   |   |
| Accounts payable  | \$ 8,242          | \$ 3,291          | \$ 11,533                               |
| Due to other funds  | -                 | 1,381             | 1,381                                   |
| Customer deposits   | <u>6,767</u>      | <u>-</u>          | <u>6,767</u>                            |
| Total liabilities   | <u>15,009</u>     | <u>4,672</u>      | <u>19,681</u>                           |
| Fund balances:  |                   |                   |   |
| Reserved for public works   | 67,549            | -                 | 67,549                                  |
| Unreserved  | <u>545,569</u>    | <u>166,400</u>    | <u>711,969</u>                          |
| Total fund balances   | <u>613,118</u>    | <u>166,400</u>    | <u>779,518</u>                          |
| Total liabilities and<br>fund balances  | <u>\$ 628,127</u> | <u>\$ 171,072</u> | <u>\$ 799,199</u>                       |
| Total fund balances   |                   |                   | \$ 779,518                              |
| Amounts reported for <i>governmental activities</i> in the statement of net<br>assets (page 4) are different because:               |                   |                   |   |
| Capital assets used in <i>governmental activities</i> are not financial resources<br>and, therefore, are not reported in the funds. |                   |                   | 927,562                                 |
| Long-term debt is not due and payable in the current period and,<br>therefore, is not reported in the funds.                        |                   |                   | <u>(97,513)</u>                         |
| Net assets of <i>governmental activities</i>  |                   |                   | <u>\$ 1,609,567</u>                     |

See notes to financial statements



**Township of Spencer****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - governmental funds***Year ended March 31, 2006*

|  | <u>General</u>    | <u>Fire</u>       | <u>Total<br/>governmental<br/>funds</u> |
|--|-------------------|-------------------|---|
| <b>REVENUES</b>  |                   |                   |   |
| Property taxes   | \$ 133,453        | \$ 152,633        | \$ 286,086                              |
| Licenses and permits   | 67,478            | -                 | 67,478                                  |
| State grants   | 259,699           | -                 | 259,699                                 |
| Charges for services   | 11,745            | 7,500             | 19,245                                  |
| Interest and rentals   | 18,456            | 2,914             | 21,370                                  |
| Other:   |                   |                   |   |
| Special assessments  | 22,830            | -                 | 22,830                                  |
| Miscellaneous  | 1,051             | 2,798             | 3,849                                   |
|  | <u>514,712</u>    | <u>165,845</u>    | <u>680,557</u>                          |
| Total revenues   |                   |                   |   |
|  | <u>514,712</u>    | <u>165,845</u>    | <u>680,557</u>                          |
| <b>EXPENDITURES</b>  |                   |                   |   |
| Legislative  | 10,000            | -                 | 10,000                                  |
| General government   | 249,637           | -                 | 249,637                                 |
| Public safety  | 55,984            | 83,399            | 139,383                                 |
| Public works   | 73,447            | -                 | 73,447                                  |
| Community and economic development                           | 9,007             | -                 | 9,007                                   |
| Capital outlay   | 63,011            | 100,504           | 163,515                                 |
| Debt service:  |                   |                   |   |
| Principal  | -                 | 11,361            | 11,361                                  |
| Interest   | -                 | 3,004             | 3,004                                   |
|  | <u>461,086</u>    | <u>198,268</u>    | <u>659,354</u>                          |
| Total expenditures   |                   |                   |   |
|  | <u>461,086</u>    | <u>198,268</u>    | <u>659,354</u>                          |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | 53,626            | (32,423)          | 21,203                                  |
| <b>OTHER FINANCING SOURCES</b>                               |                   |                   |   |
| Proceeds from issuance of debt                               | 58,407            | 50,467            | 108,874                                 |
|  | <u>58,407</u>     | <u>50,467</u>     | <u>108,874</u>                          |
| <b>NET CHANGE IN FUND BALANCES</b>                           | 112,033           | 18,044            | 130,077                                 |
| <b>FUND BALANCES - BEGINNING</b>                             | 501,085           | 148,356           | 649,441                                 |
|  | <u>501,085</u>    | <u>148,356</u>    | <u>649,441</u>                          |
| <b>FUND BALANCES - ENDING</b>                                | \$ 613,118        | \$ 166,400        | \$ 779,518                              |
|  | <u>\$ 613,118</u> | <u>\$ 166,400</u> | <u>\$ 779,518</u>                       |

*See notes to financial statements*

***Township of Spencer***

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - *governmental funds* (Continued)**

*Year ended March 31, 2006*

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|  | <b><i>Total<br/>governmental<br/>funds</i></b> |
|--|--|
|  | <hr/>  |
| Net change in fund balances - total governmental funds   | \$ 130,077                                     |
| Amounts reported for <i>governmental activities</i> in the statement of activities<br>are different because: |  |
| Capital assets:  |  |
| Assets acquired  | 186,651  |
| Provision for depreciation   | (60,837)                                       |
| Long-term debt:  |  |
| Proceeds from issuance of debt   | (108,874)                                      |
| Principal repayment  | <hr/> 11,361                                   |
| Change in net assets of <i>governmental activities</i>   | <hr/> <hr/> \$ 158,378                         |

*See notes to financial statements*

***Township of Spencer***  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Township of Spencer, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

*a) Reporting entity:*

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

*b) Government-wide and fund financial statements:*

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

*c) Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

**Township of Spencer**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Fire Fund accounts for the proceeds of specific revenue sources, property taxes, that are legally restricted for expenditures for public safety purposes.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). The Township has elected not to follow subsequent private-sector standards.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

*d) Assets, liabilities, and net assets or equity:*

*i) Bank deposits* - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

*ii) Receivables* - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

*iii) Prepaid items* - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the government-wide financial statements.

*iv) Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., shared road costs and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

**Township of Spencer**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*d) Assets, liabilities, and net assets or equity (Continued):*

*iv) Capital assets (continued):*

Capital assets are depreciated using the straight-line method over the following useful lives:

|                            |              |
|----------------------------|--------------|
| Buildings and improvements | 50 years     |
| Equipment                  | 5 - 20 years |

*v) Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

*vi) Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

*Budgetary information* - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and activity. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

*Excess of expenditures over appropriations* - The Township had the following significant budget variances:

| <u>Fund</u> | <u>Function</u>          | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|-------------|--------------------------|---------------|---------------|-----------------|
| General     | Capital outlay           | \$ 15,000     | \$ 63,011     | \$ 48,011       |
| Fire        | Capital outlay           | 64,020        | 100,504       | 36,484          |
|             | Debt service - principal | -             | 11,361        | 11,361          |
|             | Debt service - interest  | -             | 3,004         | 3,004           |

***Township of Spencer***  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 3 - CASH:**

*Deposits with financial institutions:*

The cash balances of the Township's governmental activities, which consist entirely of deposits with financial institutions, amount to \$729,562 at year end. Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Township's deposits are in accordance with statutory authority.

Custodial credit risk of deposits is the risk that, in the event of the failure of a depository financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized. As of March 31, 2006, \$536,332 of the Township's bank balances of \$736,332 was exposed to custodial credit risk because it was uninsured.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

**NOTE 4 - RECEIVABLES:**

Receivables, as of year end, for the Township's individual major funds are as follows:

| <u>Fund</u> | <u>Property<br/>taxes</u> | <u>Special<br/>assessments</u> | <u>Inter-<br/>governmental</u> | <u>Total</u>     |
|-------------|---------------------------|--------------------------------|--------------------------------|------------------|
| General     | \$ 10,715                 | \$ 2,041                       | \$ 41,672                      | \$ 54,428        |
| Fire        | <u>13,828</u>             | <u>-</u>                       | <u>-</u>                       | <u>13,828</u>    |
| Totals      | <u>\$ 24,543</u>          | <u>\$ 2,041</u>                | <u>\$ 41,672</u>               | <u>\$ 68,256</u> |

All receivables are considered fully collectible.

**Township of Spencer**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 5 - CAPITAL ASSETS:**

Capital asset activity for the year ended March 31, 2006, was as follows:

|   | <i>Beginning<br/>balance</i> | <i>Increases</i> | <i>Decreases</i> | <i>Ending<br/>balance</i> |
|---|------------------------------|------------------|------------------|---------------------------|
| Governmental activities:                    |                              |                  |                  |                           |
| Capital assets not being depreciated - land | \$ 26,000                    | \$ -             | \$ -             | \$ 26,000                 |
| Capital assets being depreciated:           |                              |                  |                  |                           |
| Buildings and improvements                  | 633,408                      | -                | -                | 633,408                   |
| Shared road costs                           | -                            | 30,426           | -                | 30,426                    |
| Equipment                                   | 463,966                      | 156,225          | -                | 620,191                   |
| Subtotal                                    | 1,097,374                    | 186,651          | -                | 1,284,025                 |
| Less accumulated depreciation for:          |                              |                  |                  |                           |
| Buildings and improvements                  | (101,859)                    | (12,668)         | -                | (114,527)                 |
| Shared road costs                           | -                            | (254)            | -                | (254)                     |
| Equipment                                   | (219,767)                    | (47,915)         | -                | (267,682)                 |
| Subtotal                                    | (321,626)                    | (60,837)         | -                | (382,463)                 |
| Total capital assets being depreciated, net | 775,748                      | 125,814          | -                | 901,562                   |
| Governmental activities capital assets, net | \$ 801,748                   | \$ 125,814       | \$ -             | \$ 927,562                |

Depreciation expense was charged to functions of the Township as follows:

|                               |           |
|-------------------------------|-----------|
| Governmental activities:      |           |
| General government            | \$ 15,342 |
| Public safety                 | 45,495    |
| Total governmental activities | \$ 60,837 |

**Township of Spencer**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 6 - LONG-TERM DEBT:**

At March 31, 2006, long-term debt is comprised of the following individual issue:

Governmental activities:

\$108,874, 2005 installment purchase agreement with Chase Equipment Leasing, Inc. - payable in monthly installments of \$2,052, bearing interest at 4.95% per annum, through August 2010 \$ 97,513

Long-term debt activity for the year ended March 31, 2006, was as follows:

|                                | <u>Beginning<br/>balance</u> | <u>Additions</u>  | <u>Reductions</u>  | <u>Ending<br/>balance</u> | <u>Amounts<br/>due within<br/>one year</u> |
|--------------------------------|------------------------------|-------------------|--------------------|---------------------------|--|
| Installment purchase agreement | <u>\$ -</u>                  | <u>\$ 108,874</u> | <u>\$ (11,361)</u> | <u>\$ 97,513</u>          | <u>\$ 20,252</u>                           |

At March 31, 2006, debt service requirements were as follows:

| <u>Year ended<br/>June 30,</u> | <u>Governmental activities</u> |                  |
|--------------------------------|--------------------------------|------------------|
|                                | <u>Principal</u>               | <u>Interest</u>  |
| 2007                           | \$ 20,252                      | \$ 4,372         |
| 2008                           | 21,280                         | 3,344            |
| 2009                           | 22,358                         | 2,266            |
| 2010                           | 23,488                         | 1,136            |
| 2011                           | <u>10,135</u>                  | <u>129</u>       |
| Totals                         | <u>\$ 97,513</u>               | <u>\$ 11,247</u> |

All debt is secured by the full faith and credit of the Township.



**Township of Spencer**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 7 - DEFINED CONTRIBUTION PENSION PLAN:**

The Township provides retirement benefits for all of its eligible employees through a defined contribution pension plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate from the date of employment and may contribute to the plan. Contributions range from \$250 to \$2,500 per employee, depending upon annual compensation. The Township's contributions are fully vested immediately. All costs associated with the plan are paid currently.

The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets. Accordingly, plan assets and changes therein are not reported in these financial statements.

The Township made the required contributions of \$19,600 for the year ended March 31, 2006.

**NOTE 8 - RISK MANAGEMENT:**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**NOTE 9 - CONSTRUCTION CODE ACT:**

A summary of construction code enforcement transactions for the year ended March 31, 2006, is as follows:

|                                  |                 |
|----------------------------------|-----------------|
| Revenues                         | \$ 60,671       |
| Expenses                         | <u>(55,984)</u> |
| Excess of revenues over expenses | <u>\$ 4,687</u> |

**NOTE 10 - RESTRICTED NET ASSETS:**

Governmental activities net assets as of March 31, 2006, are restricted for the following purposes:

|                                 |                   |
|---------------------------------|-------------------|
| Public safety - fire protection | <u>\$ 166,400</u> |
| Public works:                   |                   |
| Right-of-way (Metro Act)        | 13,236            |
| Weed control                    | <u>54,313</u>     |
|                                 | <u>67,549</u>     |
|                                 | <u>\$ 233,949</u> |

## **REQUIRED SUPPLEMENTARY INFORMATION**

**Township of Spencer**  
**BUDGETARY COMPARISON SCHEDULE - General Fund**  
Year ended March 31, 2006

|                                      | <u>Original<br/>budget</u> | <u>Amended<br/>budget</u> | <u>Actual</u>  | <u>Variance<br/>favorable<br/>(unfavorable)</u> |
|--------------------------------------|----------------------------|---------------------------|----------------|---|
| <b>REVENUES</b>                      |                            |                           |                |   |
| Property taxes                       | \$ 129,120                 | \$ 129,120                | \$ 133,453     | \$ 4,333  |
| Licenses and permits                 | 58,670                     | 58,670                    | 67,478         | 8,808   |
| State grants                         | 245,500                    | 245,500                   | 259,699        | 14,199  |
| Charges for services                 | 8,000                      | 8,000                     | 11,745         | 3,745   |
| Interest and rentals                 | 5,500                      | 5,500                     | 18,456         | 12,956  |
| Other                                | 49,603                     | 49,603                    | 23,881         | (25,722)  |
| Total revenues                       | <u>496,393</u>             | <u>496,393</u>            | <u>514,712</u> | <u>18,319</u>                                   |
| <b>EXPENDITURES</b>                  |                            |                           |                |   |
| Legislative                          | <u>10,000</u>              | <u>10,000</u>             | <u>10,000</u>  | <u>-</u>  |
| General government:                  |                            |                           |                |   |
| Supervisor                           | 20,500                     | 20,500                    | 20,029         | 471   |
| Election                             | 10,000                     | 2,370                     | 1,613          | 757   |
| Assessor                             | 31,000                     | 31,000                    | 30,813         | 187   |
| Clerk                                | 30,500                     | 30,500                    | 30,222         | 278   |
| Board of review                      | 2,000                      | 2,000                     | 1,243          | 757   |
| Treasurer                            | 32,500                     | 32,500                    | 29,990         | 2,510   |
| Hall and grounds                     | 52,500                     | 55,500                    | 44,794         | 10,706  |
| Cemetery                             | 2,000                      | 2,000                     | -              | 2,000   |
| Administration                       | <u>101,000</u>             | <u>101,650</u>            | <u>90,933</u>  | <u>10,717</u>                                   |
| Total general government             | <u>282,000</u>             | <u>278,020</u>            | <u>249,637</u> | <u>28,383</u>                                   |
| Public safety - building inspections | <u>51,800</u>              | <u>56,880</u>             | <u>55,984</u>  | <u>896</u>                                      |
| Public works:                        |                            |                           |                |   |
| Road improvements                    | 150,000                    | 148,600                   | 51,867         | 96,733  |
| Weed control                         | <u>35,000</u>              | <u>35,300</u>             | <u>21,580</u>  | <u>13,720</u>                                   |
| Total public works                   | <u>185,000</u>             | <u>183,900</u>            | <u>73,447</u>  | <u>110,453</u>                                  |

**Township of Spencer****BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended March 31, 2006

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|  | <u>Original<br/>budget</u> | <u>Amended<br/>budget</u> | <u>Actual</u>     | <u>Variance<br/>favorable<br/>(unfavorable)</u> |
|--|----------------------------|---------------------------|-------------------|---|
| <b>EXPENDITURES (Continued)</b>                                  |                            |                           |                   |   |
| Community and economic development -<br>planning and zoning      | <u>\$ 11,000</u>           | <u>\$ 11,000</u>          | <u>\$ 9,007</u>   | <u>\$ 1,993</u>                                 |
| Capital outlay   | <u>15,000</u>              | <u>15,000</u>             | <u>63,011</u>     | <u>(48,011)</u>                                 |
| Total expenditures   | <u>554,800</u>             | <u>554,800</u>            | <u>461,086</u>    | <u>93,714</u>                                   |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>    OVER EXPENDITURES</b> | <u>(58,407)</u>            | <u>(58,407)</u>           | <u>53,626</u>     | <u>112,033</u>                                  |
| <b>OTHER FINANCING SOURCES</b>                                   |                            |                           |                   |   |
| Proceeds from issuance of debt                                   | <u>58,407</u>              | <u>58,407</u>             | <u>58,407</u>     | <u>-</u>  |
| <b>NET CHANGE IN FUND BALANCES</b>                               | <u>-</u>                   | <u>-</u>                  | <u>112,033</u>    | <u>112,033</u>                                  |
| <b>FUND BALANCES - BEGINNING</b>                                 | <u>501,085</u>             | <u>501,085</u>            | <u>501,085</u>    | <u>-</u>  |
| <b>FUND BALANCES - ENDING</b>                                    | <u>\$ 501,085</u>          | <u>\$ 501,085</u>         | <u>\$ 613,118</u> | <u>\$ 112,033</u>                               |

**Township of Spencer**  
**BUDGETARY COMPARISON SCHEDULE - Fire Fund**  
Year ended March 31, 2006

|   | <u>Original<br/>budget</u> | <u>Amended<br/>budget</u> | <u>Actual</u>     | <u>Variance<br/>favorable<br/>(unfavorable)</u> |
|---|----------------------------|---------------------------|-------------------|---|
| <b>REVENUES</b>                                     |                            |                           |                   |   |
| Property taxes                                      | \$ 150,000                 | \$ 150,000                | \$ 152,633        | \$ 2,633  |
| Charges for services                                | 7,500                      | 7,500                     | 7,500             | -   |
| Interest  | 1,700                      | 1,700                     | 2,914             | 1,214   |
| Other   | <u>2,000</u>               | <u>2,000</u>              | <u>2,798</u>      | <u>798</u>                                      |
| Total revenues                                      | <u>161,200</u>             | <u>161,200</u>            | <u>165,845</u>    | <u>4,645</u>                                    |
| <b>EXPENDITURES</b>                                 |                            |                           |                   |   |
| Public safety                                       | 106,200                    | 97,180                    | 83,399            | 13,781  |
| Capital outlay                                      | 55,000                     | 64,020                    | 100,504           | (36,484)  |
| Debt service:                                       |                            |                           |                   |   |
| Principal   | -                          | -                         | 11,361            | (11,361)  |
| Interest  | <u>-</u>                   | <u>-</u>                  | <u>3,004</u>      | <u>(3,004)</u>                                  |
| Total expenditures                                  | <u>161,200</u>             | <u>161,200</u>            | <u>198,268</u>    | <u>(37,068)</u>                                 |
| <b>DEFICIENCY OF REVENUES<br/>OVER EXPENDITURES</b> | -                          | -                         | (32,423)          | (32,423)  |
| <b>OTHER FINANCING SOURCES</b>                      |                            |                           |                   |   |
| Proceeds from issuance of debt                      | <u>-</u>                   | <u>-</u>                  | <u>50,467</u>     | <u>50,467</u>                                   |
| <b>NET CHANGE IN FUND BALANCES</b>                  | -                          | -                         | 18,044            | 18,044  |
| <b>FUND BALANCES - BEGINNING</b>                    | <u>148,356</u>             | <u>148,356</u>            | <u>148,356</u>    | <u>-</u>  |
| <b>FUND BALANCES - ENDING</b>                       | <u>\$ 148,356</u>          | <u>\$ 148,356</u>         | <u>\$ 166,400</u> | <u>\$ 18,044</u>                                |